GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:290
ANSWERED ON:12.08.2005
DECLINE IN PROFIT OF BANKS FINANCIAL INSTITUTIONS
Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the public sector banks in the country registered overall decline in profits during the last fiscal year as appeared in `Statesman` dated the June 23, 2005;

(b) if so, the details thereof and factors responsible for decline in profits of banks;

(c) the profit/loss of public sector banks / financial institutions during the last three years and as on date;

(d) whether the RBI/Government have framed new guidelines for public sector banks/ financial institutions to check such decline in profits and steps to enhance profit; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (e) : A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.290 FOR 12TH AUGUST 2005 REGARDING DECLINE IN PROFIT OF BANKS/FINANCIAL INSTITUTIONS TABLED BY SHRI NIKHIL KUMAR AND SHRI ADHIR CHOWDHURY

(a) & (b) Public sector banks have recorded operating profit of Rs. 38,413 crore in the year 2004-05 as against Rs. 39,475 crore in the year 2003-04. Net Profits of some public sector banks have declined during the year 2004-05 viz-a-viz year 2003-04 primarily because of increased provisioning for NPAs due to revised guidelines of RBI, provision for arrears on account of wage revision, depreciation on investments, hardening of yield on Government securities and resultant fall in treasury income etc.

(c) The details of net profit /loss of public sector Banks and Financial Institutions during the last three years is given as under :-

(Rs. in crore)

	2002-03	2003-04	2004-05
Public Sector Banks	12,295.46	16,546.37	15,190.12
Financial Institutions	(-)372.79	(-)2,882.94	06.56

Note: figures shown (-) indicate loss

(d) & (e): The steps taken by the Government and the Reserve Bank of India to improve the functioning and profitability of the public sector banks include enactment of law for effective recovery of Non-Performing Assets, deregulation of interest rates; introduction of prudential norms; reduction in Statutory Liquidity Ratio, encouragement to Information Technology, Organizational Restructuring, improvement in human resource management and customer service, diversification in lines of business, etc. Further, the Government has advised Public Sector Banks to submit a Statement of Intent on Annual Goals for the financial year 2005-06, which includes quantitative and qualitative targets on various performance parameters viz. Capital Risk Adequacy Ratio (CRAR), earning per share, growth in business, Priority Sector lending, NPAs, profitability, improvement in risk management practices, use of technology, special efforts in reaching out to the under-privileged etc.